

FEDERAL FY 2004 APPLICATION

MASSACHUSETTS COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM

COMMUNITY DEVELOPMENT FUNDS I AND II MINI-ENTITLEMENT PROGRAM

GENERAL INFORMATION ABOUT THIS APPLICATION

Each year, Massachusetts receives Community Development Block Grant (CDBG) funds from the federal government. These funds, made available through the Mass. CDBG program, provide communities throughout the Commonwealth with resources to implement an array of community and economic development projects. The Massachusetts Department of Housing and Community Development (DHCD) administers these federal funds and offers several programs designed to address a range of community and economic development needs.

This Application is for the following Mass CDBG program components:

- **Community Development Funds I and II**
- **Mini-Entitlement Program**

The program eligibility and threshold details are contained in DHCD's federal FY 2004 Draft One Year Action Plan that follows the Table of Contents. The One Year Action Plan will become final upon its approval by the U.S. Department of Housing and Urban Development. The necessary application materials are contained in the sections that follow the Draft One Year Action Plan.

In addition to the programs contained in this application, Mass CDBG also has the following programs: (1) Massachusetts Community Capital Fund, (2) Housing Development Support Program, (3) Ready Resource Fund, (4) Section 108 Loan Program, and (5) Bridge Financing Program. Applications for these programs are not provided in this document. However, information about these programs is contained in the federal FY 2004 Draft One Year Action Plan.

This document can be accessed from the Massachusetts Department of Housing and Community Development's Home Page. The document may be downloaded in an MS WORD and Adobe format. The Internet site is: www.mass.gov/dhcd

Mass. CDBG welcomes phone inquiries at any point in application development. Our phone number is (617) 727-7001, ext. 446.

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Table of Contents

| <u>Section</u> | <u>Page #</u> |
|---|----------------------|
| 1. One-Year Action Plan | |
| FY 2004 Draft One Year Plan – Preface..... | 1 |
| Introduction | 1 |
| A. Massachusetts CDBG Priorities | 1 |
| B. Eligible Municipalities | 2 |
| C. Eligible Projects | 2 |
| D. Applicant/Project Thresholds | 4 |
| E. Allocation of CDBG Funds to the Commonwealth..... | 8 |
| F. Availability of Funds | 9 |
| G. Evaluation Criteria Applicable to All CDBG Programs..... | 10 |
| H. Program Sanctions | 12 |
| I. Citizen Participation Requirements for Applicants and Grantees | 12 |
| J. CDBG Program Components..... | 13 |
| 1. Community Development Fund I | 13 |
| 2. Community Development Fund II | 17 |
| 3. Mini-Entitlement | 19 |
| 4. Housing Development Support Program..... | 22 |
| 5. Business Development Fund..... | 26 |
| Mass. Community Capital Fund and Ready Resource Fund..... | 26 |
| 6. Reserves | 29 |
| 7. Bridge Financing Program | 30 |
| 8. 108 Program | 31 |
| 9. Administration and Technical Assistance By DHCD | 34 |
| Exhibit 1 – Massachusetts CDBG Entitlement Communities | 35 |
| Exhibit 2 – Municipalities Not Eligible to Apply to Community Development Fund I and II in Federal Fiscal Year 2004..... | 37 |
| Exhibit 3 – Program Eligibility and Community Wide Needs Scores..... | 38 |
| Exhibit 4 – Community Wide Needs Indicators..... | 47 |
| Exhibit 5 – Sustainable Development Principles..... | 48 |
| 2. Application Package Information | |
| Application Submission | 50 |
| Application Training and Technical Assistance | 51 |
| Mass. CDBG Eligible Projects | 52 |
| Chart I Selecting Project Packets..... | 53 |
| Application Review Process..... | 55 |
| Grant Administrative Guidance | 56 |

3. Application Instructions and Checklist

| | |
|---|-----|
| Forms, Specifications for Plans and Narratives | 59 |
| 1. Application Cover Sheet | 60 |
| 2. Joint Application Authorization | 63 |
| 3. Timely Expenditure Standards..... | 65 |
| 4. Community-Wide Needs Score | 66 |
| 5. Community Needs | 66 |
| 6. Community Impact | 67 |
| 7. Project Packets | 68 |
| Project Packet Guidance | 69 |
| Guidance on Threshold Questions | 70 |
| Guidance on Scored Questions | 78 |
| Project Packet Threshold Questions and Evaluation Criteria | 81 |
| Project Packet Cover Sheets and Budget Forms | 82 |
| 8. Implementation and Cash Flow Plan | 84 |
| 9. Management Plan | 90 |
| 10. Program Delivery and General Administrative | |
| Cost Breakdown..... | 91 |
| 11. Budget Summary Sheet | 97 |
| 12. Chief Financial Officer's Certification | 100 |
| 13. Displacement of Non-CDBG Funds Certification | 101 |
| 14. Anti-Displacement and Relocation Certification | 102 |
| 15. Anti-Displacement and Relocation Plan Summary | 104 |
| 16. Public Hearing Documentation | 107 |
| 17. Citizen Participation Plan | 109 |
| 18. Program Income Certification | 110 |
| 19. Program Income Plan | 113 |
| 20. Chief Elected Official Certification Form | 114 |
| 21. Anti-Speculation and Recapture Plan | 117 |
| 22. Appendices | 118 |

4. Appendix

| | |
|---|--|
| A | Eligible Community Development Block Grant Activities |
| B | HUD Low and Moderate Census Data by City and Town |
| C | HUD Survey Methodology |
| D | Elderly Household Income Statistics by Community |
| E | Fiscal Year 2002 Low and Moderate Income Limits |
| F | Management Organization Position Classification and Wage Schedule Guide |
| G | Primary Federal Regulations |
| H | List of Entitlement Communities in Massachusetts |
| I | Public Facilities Projects-Phases of Design |
| J | Base-line Information Form for CDBG Activities |
| K | Green/Sustainable Space Building Guidance |

FY 2004 Draft One Year Plan - Preface

The U.S. Department of Housing and Urban Development (HUD) requires the Commonwealth of Massachusetts, and all other Formula Grantees, to prepare a Five Year Consolidated Plan. The state's Consolidated Plan sets forth long term priorities for the use of funds received from HUD's Community Development Block Grant (CDBG), HOME, Emergency Shelter Grant (ESG), and Housing Opportunities for People with AIDS (HOPWA) programs, and from other state and federal sources.

During the development of the FY 2000 - FY 2004 Five Year Consolidated Plan the Massachusetts Department of Housing and Community Development (DHCD) outlined the anticipated timetable for its competitive CDBG grant rounds (CDF and HDSP) for fiscal years 2000 through 2002. In accordance with the Five Year Consolidated Plan, the application deadline schedule for FY 2001 and FY 2002 was accelerated. Three grant rounds (FY 2000 – FY 2002) were scheduled for a 13-month timeframe that usually accommodated only two competitive grant rounds. The reason for accelerating the timetable was to help address timely expenditure concerns of the U.S. Department of Housing and Urban Development. DHCD has now reestablished annual CDF and HDSP application deadlines for FY 2004 and beyond.

Preparation of the Massachusetts CDBG One-Year Plan and Application is again taking place in advance of the overall One Year Plan development schedule that incorporates the HOME, ESG and HOPWA programs. DHCD will hold informational sessions on the Draft CDBG One Year Plan in September 2003, and will hold formal public hearings on the overall One Year Plan later in the fall of 2003.

The following summarizes proposed changes and clarifications in this Draft FY 2004 CDBG One-Year Plan.

Highlighted Clarifications/Proposed Changes in Draft FY 2004 One-Year Plan

- DHCD has proposed a new formula for determining the Community Wide Needs (CWN) score, and has prepared a new chart with each community's new score. The CWN score establishes a municipality as either a CDF I or CDF II community, and is a contributing factor for designating Mini-Entitlements. The CWN score therefore determines the CDF component to which a community may apply. Communities with a CWN of 18 or greater may apply to CDF I. Communities with a CWN of 17 or less may apply to CDF II.

The CWN score also makes up 25 of the 100 points used to score CDF I applications. The new CWN scores, and the indicators used to determine the scores, are found in Exhibits at the end of this Draft One Year Plan.

- In response to comments that larger grants are needed to keep pace with rising costs, the maximum Community Development Fund (CDF) grant awards have been increased to \$800,000.
- DHCD is in the process of evaluating the Mini-Entitlement Program and its continuation beyond FY 2004. As a result, all FY 2003 Mini-Entitlements will be held harmless in FY 2004 and eligible for up to \$600,000. **Mini-Entitlements that meet**

the timely expenditure threshold at the time of application will have the option of either applying non-competitively for the \$600,000, or alternately, applying competitively for up to \$800,000.

- DHCD will evaluate projects in part on the degree to which the project is consistent with the sustainable development principles listed in Exhibit 5.
- Housing rehabilitation programs and public facilities projects will be required to use Energy Star building performance standards in FY 2005. Use of those standards for projects and programs in FY 2004 is one example of how an applicant can demonstrate consistency with one of the sustainable development principles. Those standards are found at www.energystar.gov.
- DHCD will no longer score projects on the degree to which a project addresses the purposes of Executive Order 418, but will continue to offer bonus points to communities certified as being in compliance with EO 418.
- As forewarned in the FY 2003 One Year Plan, DHCD will require design development drawings **for all FY 2004 public facilities and architectural barrier removal projects of \$25,000 or more.**

Additionally, in an effort to further reduce uncertainty in construction project planning, and to allow for improved accuracy in cost estimating and project timeline planning, beginning in FY 2005 DHCD will require bid-ready plans and specifications for all public facilities and architectural barrier removal projects of \$25,000 or more.

DHCD encourages communities to apply for planning funds to prepare full bid-ready plans and specifications for eligible public facilities and architectural barrier removal projects. Beginning in FY 2005, communities will be able apply for funds for architectural/engineering plans and specifications for such projects, or for construction, but not both in any one CDF application.

- A community may receive no more than one Ready Resource Fund grant award in any fiscal year.
- There is a minimum grant amount of \$20,000 for planning-only grants in CDF and in the Ready Resource Fund (RRF). There is a \$50,000 cap on all planning grants in an RRF application. This maximum amount is inclusive of planning-related general administration costs.
- CDBG-assisted senior center projects funded in FY 2003 or later may not receive subsequent CDBG assistance for additional construction or reconstruction until five (5) years have passed since the grant closeout date.
- As of the print date of this document, HUD had not yet published the official numbers for the elderly low- and moderate-income households by municipality. Therefore communities seeking CDBG funds for senior center projects must request updated (2000) elderly low- and moderate-income household data from DHCD prior to submitting an application. Please contact Andrea Shapiro at (617) 727-7001 x453, or Andrea.Shapiro@ocd.state.ma.us to request this information.
- As of FY 2003 DHCD no longer requires that Public Social Service activities have a

case management component. However, DHCD continues to encourage communities to select social service activities that reflect real needs and either complement or coordinate with non CDBG-funded services.

- DHCD will not award funds to any community for the same activity in more than one CDF application during any one Mass CDBG federal fiscal year. A community may apply in either one individual CDF application, in one joint application, or in one of each. However, if a community applies to CDF in both an individual and in a joint application, the community may not undertake individual activities in the joint application.
- Slum/blight National Objective policy and related programmatic changes and clarifications:
 - in order to define an area as blighted a minimum of 25% of the buildings in the area must be considered deteriorated – all buildings characterized as ‘poor’ or ‘fair’ in an inventory (using DHCD’s sample set of definitions with poor, fair, good, excellent categories) will be considered ‘deteriorated’ and count toward the 25% required to define an area as blighted;
 - alternately, deterioration of public improvements may also be used to define an area as blighted, using HUD language “general state of deterioration”;
 - once approved by DHCD in FY 2003 or later, an inventory and target area will be valid for five years for National Objective threshold eligibility;
 - the community development strategy (see page 6) submitted by applicants seeking downtown related projects funds must contain a downtown or commercial area revitalization element;
 - the packet for downtown related projects has been amended to award higher scores for activities more directly addressing the blighted conditions of a target area.
- The 15-year affordability requirement remains for housing related projects. Rehabilitation assistance for owner-occupied properties must be secured by a mortgage or lien on the subject property that includes language restricting rent levels in low and moderate income units for a minimum of fifteen years - or as long as the loan is outstanding. Rehabilitation assistance for investor-owned properties must be secured by a mortgage or lien, and the affordability requirements must be secured by an Affordable Housing Restriction [provided by DHCD] on the subject property that runs with the land, and that includes language restricting rent levels in low and moderate income units for a minimum of fifteen years. “Owner-occupied” is defined as a property of no more than four (4) units, one of which is occupied by the owner. All other properties are considered “investor owned.”
- The unit maximum for HDSP has been increased from 7 to 10 units for projects involving conversion of upper story space in downtown buildings and other adaptive reuse proposals. Applicants proposing such projects may apply for up to \$750,000 to cover increased project costs triggered by Davis-Bacon, plus reasonable administrative costs.
- For all Mass CDBG components an applicant must meet the timely expenditure threshold requirement at the time of application. **DHCD no longer accepts waiver requests for the timely expenditure threshold.**
- Joint applications must show in the budget page how the grant funds will be

allocated to each participating community.

- Application due dates are proposed as follows:

CDF: Due Tuesday January 13, 2004

Mini-Entitlement: Due Tuesday January 13, 2004

HDSP: Round 1 Notice of Intent due September 25, 2003, application due November 13, 2003

Round 2 Notice of Intent due March 18, 2004, application due May 6, 2004

Ready Resource Fund, MCCF, Section 108 and Bridge Financing have rolling application deadlines.

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| <p style="text-align: center;">MASSACHUSETTS CDBG DRAFT ONE-YEAR ACTION PLAN FOR FEDERAL FISCAL YEAR 2004</p> |
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INTRODUCTION:

This Draft One Year Action Plan describes the proposed use of Community Development Block Grant (CDBG) funding received by the Commonwealth of Massachusetts. The CDBG Program is a significant source of federal funding administered by the Department of Housing and Community Development, supporting a variety of community development efforts to revitalize our communities, meet the housing and service needs of our low and moderate-income population, build and repair infrastructure vital to the health and safety of residents, and support business development and retention. The One Year Plan addresses the basic features of the state's CDBG program, the applicable federal regulations and requirements governing state and local administration of this program, and the state's policies, administration responsibilities, and description of the program components.

In its administration of CDBG funding, DHCD is committed to:

- Programs and funding that primarily target populations of low- and moderate-incomes and those with special needs;
- Coordinated, integrated and balanced agency responses to address the needs and interests of communities;
- Programs and technical assistance designed to facilitate informed decision-making about community development opportunities at the local level, and to encourage self-sufficiency of residents and communities; and
- Sound business practices that ensure the highest standards of public accountability and responsibility.

The One Year Action Plan is divided into the following sections:

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| SECTION | A. | Massachusetts CDBG Priorities |
| | B. | Eligible Municipalities |
| | C. | Eligible Projects/Use of CDBG Program Funds |
| | D. | Applicant/Project Threshold Criteria |
| | E. | Allocation of CDBG Funds to the Commonwealth |
| | F. | Availability of CDBG Program Funds |
| | G. | Evaluation Criteria for All Program Components |
| | H. | Program Sanctions |
| | I. | Citizen Participation Requirements for Applicants and Grantees |
| | J. | CDBG Program Components (description) |

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| <p>A. MASSACHUSETTS CDBG PRIORITIES</p> |
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The Community Development Block Grant (CDBG Program) was authorized by Congress, and is funded under Title I of the Housing and Community Development Act of 1974, as amended. The Commonwealth of Massachusetts has designated the Department of Housing and Community Development (DHCD) as the state's administering agency for CDBG

funding. The primary objective of the federal statute creating the CDBG Program is: “...to develop viable, urban communities by providing decent housing and suitable living environment and expanding economic opportunities principally for low- and moderate-income persons.” DHCD will fund eligible projects designed to meet this objective, and that are consistent with the Commonwealth’s sustainable development principles listed in Exhibit 5. DHCD encourages:

- development and preservation of affordable housing;
- proactive and coordinated planning oriented towards both resource protection and sustainable economic activity;
- downtown revitalization that is integral to community development; and
- broad local participation in meaningful community-based planning that assesses needs and identifies strategies for addressing those needs.

The Act requires that at least 70 percent of CDBG assistance shall be used to support activities that directly benefit low- and moderate-income citizens of the Commonwealth.

In addition, the Massachusetts CDBG Program encourages joint or regional applications so that program funds will be used to benefit a greater number of municipalities.

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| B. ELIGIBLE MUNICIPALITIES |
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There are 351 municipalities incorporated in Massachusetts. The U.S. Department of Housing and Urban Development (HUD) has designated 35 as CDBG *entitlement* communities; in general, these communities exceed 50,000 in population and receive CDBG funds directly from HUD. Any city or town **not** designated as an entitlement community by HUD may apply for and receive Massachusetts Community Development Block Grant funds. (Refer to Exhibit 1 for a listing of Massachusetts’ entitlement communities.)

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| C. ELIGIBLE PROJECTS |
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The following projects are eligible for funding under the Massachusetts Community Development Block Grant Program:

- planning;
- housing rehabilitation and creation of affordable housing;
- economic development projects which create and/or retain jobs including awards to existing regional entities for regional economic development loan funds;
- efforts directed toward rehabilitation and stabilization of existing neighborhoods, commercial areas and downtowns;
- infrastructure;
- construction and/or rehabilitation of community facilities; and
- public social services.

DHCD has designed several Massachusetts CDBG program components to fund such projects. Each program component responds to particular community development needs. The rules and program guidelines are set forth in Section J: *PROGRAM COMPONENTS*.

LIMITATIONS ON USE OF PROGRAM FUNDS

- **Buildings used for the general conduct of government** - Assistance related to buildings used for the general conduct of government is specifically excluded from the program by federal statute, except for the removal of existing architectural barriers to improve handicap access. Such work is permitted on municipal buildings such as city or town halls, public works structures, public safety buildings, etc.
- **Public Social Services**
 1. Public Social Services projects are not eligible as a "stand-alone" application under Community Development (CDF) I and II and Mini- Entitlement grants.
 2. Public Social services cannot exceed 20% of a CDF I, CDF II, or Mini-Entitlement grant. (Note: The 20% limit does not apply to social services designed and provided solely to support micro-businesses, or public social services that increase employment through job training or other related activities when carried out by eligible non-profit development organizations.)
 3. Communities must demonstrate that, in accordance with Section 105(a)(8) of the Housing and Community Development Act, proposed social service activities have not been funded by the community using municipal and/or state funds within 12 months prior to the application.
 4. DHCD will fund public social service projects that are not provided by other state or federal agencies, or are currently provided but are not available to CDBG-eligible residents in the applicant communities.
- **Downtown related projects**¹ - Communities may apply for funds for downtown related projects under CDF I, CDF II, and the Mini-Entitlement Program. Conditions listed below apply to CDF I, CDF II, and the Mini-Entitlement Program.
 1. DHCD may fund projects that support physical downtown and area revitalization efforts, however communities may apply to Mass CDBG for downtown related projects in their downtown or commercial target areas only if a) they have satisfactorily demonstrated to DHCD that the proposed project is located in an area meeting National Objective requirements set forth in the Application Guidance on Threshold Questions, and b) their community development strategy (see page 6) contains a downtown or commercial area revitalization element.
 2. If a community applies for a downtown related project without an inventory (the inventory must include both buildings and public improvements, and be completed in its entirety) or any other required submittals, the application packet for that project will not be reviewed.

¹ Downtown related projects may include facade/sign programs and streetscape improvements, but does not include traditional municipal functions such as repairs to, or replacement in-kind of infrastructure.

3. Beginning in FY 2003, once DHCD approves an inventory for a defined target area, that area will be considered valid for National Objective purposes for a five-year period. DHCD will consider the award date of the first Mass CDBG grant intended to address conditions in the subject target area to be the approval date of the inventory and target area. The five-year period will commence on the award date.
 4. CDBG funds **cannot** be used to fund overhead costs or management salaries related to the operation of a downtown organization, nor can they be used for any organizational development for a downtown organization or committee.
- **15 Year Housing Affordability Term** – In an effort to increase the supply of affordable housing, all projects supporting the creation, preservation, and rehabilitation of rental and owner-occupied housing units must be affordable to low and moderate income households for at least a 15-year period. Rehabilitation assistance for owner-occupied properties must be secured by a mortgage or lien on the subject property that includes language restricting rent levels in low and moderate income units for a minimum of fifteen years - or as long as the loan is outstanding. Rehabilitation assistance for investor-owned properties must be secured by a mortgage or lien, and the affordability requirements must be secured by an **Affordable Housing Restriction** on the subject property that runs with the land, and that includes language restricting rent levels in low and moderate income units for a minimum of fifteen years. “Owner-occupied” is defined as a property of no more than four (4) units, one of which is occupied by the owner. All other properties are considered “investor owned.”

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| D. APPLICANT/PROJECT THRESHOLDS |
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The following threshold criteria (#1 through #4) apply to all applications. It is the responsibility of the applicant to ensure adherence to the applicable threshold(s).

1. **Eligibility** - The project must be eligible as defined in §105(a) of Title 1 of the Housing and Community Development Act, as amended.
2. **National Objective** - Each project must meet one of three federal national objectives as defined below and in federal regulations 24 CFR 570.483:
 - a. benefit a majority of low- and moderate-income persons;
 - b. aid in the prevention or elimination of slums or blight; or
 - c. meet an urgent condition posing a serious threat to the health and welfare of the community and where other financial resources are not available to meet such needs. This objective is extremely difficult to meet and is generally limited to unexpected events such as natural disasters. Prior approval from Massachusetts CDBG must be obtained to use this national objective.

3. **Timely Expenditure** – Mass CDBG requires that all applicants - including lead applicants and joint participants - who have received grants comply with a timely expenditure threshold in order to apply for FY 2004 programs. If a joint participant has been a lead grantee in a CDBG grant, that community must meet the timely expenditure threshold in order to be included in a joint application. In order to apply for CDBG funding, a community must demonstrate, using the last quarterly report due prior to the application date, or the most recent SCA/GMS monthly financial status report, that as of the application due date it has no more than \$600,000 in unexpended CDBG² funds for all active grants awarded **prior to February 28, 2002**.

Active grants include those for which project activities have yet to be completed and payments are outstanding. All lead applicants and participating applicants must meet this standard. An applicant must meet this threshold requirement at the time of application for all Mass CDBG components. Communities that do not meet this threshold will be eliminated from further Mass CDBG funding consideration. No waivers will be granted for the timely expenditure threshold.

4. **Displacement of Non-CDBG Funds** - Applicants shall certify in the application that CDBG funds will not be used to displace non-CDBG funds already appropriated by or to the community for a specific project. DHCD will reduce an award, deny a grant, or impose special conditions in a grant contract with that community to assure compliance with this requirement.

Threshold criteria #5 through #9 apply to specific program applications or types of projects. It is the responsibility of the applicant to ensure adherence to the applicable threshold(s).

5. **EO 418 Certification** - Executive Order 418, *Addressing the Affordable Housing Shortage*, was signed by Governor Paul Cellucci in January 2000; the Executive Order provides that communities taking steps to encourage/develop affordable housing receive preferential consideration for certain grant programs administered by DHCD, the Executive Office of Environmental Affairs, the Department of Economic Development, and the Executive Office of Transportation and Construction. DHCD has adopted the following policies regarding adherence to EO 418 and the Massachusetts CDBG Program:

- (a) Applicants to the Ready Resource Fund (RRF), Massachusetts Community Capital Fund (MCCF), Bridge Financing Program, Reserves, and the Section 108 Loan Program) must be Executive Order 418 housing certified as a threshold prior to review of applications for those programs. A community may submit a request for housing certification prior to, or with its program application. Certification is available on a fiscal year basis; i.e., it expires on June 30 of any year. *All municipalities participating in a joint or regional application must be certified.*

² CDBG includes CDF I and II, Mini-Entitlement, HDSP, Ready Resource, and Reserves, but for the purposes of this calculation excludes grants from Massachusetts Community Capital Fund, Section 108, and Bridge Financing Program. Planning-only grants of \$50,000 or less are also excluded from this calculation.

- (b) Applicants to CDF I, CDF II, and the Housing Development Support Program (HDSP) receive bonus points equal to 10% of the total available points for each respective program if EO 418 housing certified. A community seeking certification to receive bonus points must request housing certification prior to the application deadline or submit its certification request with its program application. *All municipalities participating in a joint or regional application must be certified for the application to receive 10% bonus points.*
 - (c) Mini-Entitlement communities must be EO 418 housing certified before being allowed to draw down funds.
6. **Public Benefit Standards** - Economic development projects that are eligible under Title I of the Housing and Community Development Act of 1974, Sections (14), (15) and (17) must meet CDBG standards of underwriting and public benefit. Eligible projects under 105(a)(2) may also be required to meet public benefit standards when undertaken for Economic Development purposes.
7. **Community-Based Planning Requirement** - The Department supports municipal efforts to engage in community-based planning, conduct needs assessments, and identify strategies for addressing those needs. DHCD seeks to fund projects identified through meaningful, public community-based planning and priority setting processes. Therefore projects should be consistent with community efforts to identify needs and engage in strategic planning for addressing those needs. *This helps to ensure that local needs have been identified and priorities determined in a comprehensive manner, and public resources are directed toward projects that address needs the community has identified as high priority.* All applicants and participants³ must have engaged in a community-based planning process and be able to demonstrate project consistency with a Community Development Strategy (not to exceed three [3] pages), that must be included in the application.

The Strategy serves to summarize various planning documents used by a community, and to outline a plan of action intended to accomplish specific community development goals that will have an impact on the community. Therefore, each Strategy can reference various planning documents approved by a locally elected or appointed body, or by Town Meeting, but *it is important that the Strategy reflect a comprehensive, integrated approach to the municipality's community development priorities.* Each activity included in an FY 2004 application must relate to and be reflected in the Strategy. The Strategy must explain how the community expects to address the priorities with CDBG and non-CDBG funds over a 3-5 year period.

The Community Development Strategy may reference or incorporate findings of relevant plans and analyses that have been completed and used for decision-making purposes by municipal boards, agencies and departments. Such plans may include but are not limited to EO 418 Community Development Plans, EO 418 housing strategies, Capital Improvement Plans, Master Plans, Downtown Plans, Open Space and Recreation Plans, Area Revitalization Strategies, Urban

³This includes regional or joint applicants.

Renewal Plans, the regional Comprehensive Economic Development Strategy, and a Community Action Statement (CAS).

The strategy must be discussed in a public forum, such as the public hearing required prior to submitting a Mass CDBG application.

8. **Senior Center Projects** - Applicants for Senior Center projects must meet the following threshold requirements to have their applications reviewed and scored:
 - (i) provide evidence of site control⁴ by the municipality, as attested to by the Mayor or Board of Selectmen,
 - (ii) provide documentation of the availability and commitment of any other funds necessary to complete the project, and
 - (iii) for senior center construction projects attach one copy of the design development drawings,⁵ prepared by a licensed architect or engineer.

CDBG-assisted senior center projects funded in FY 2003 or later may not receive subsequent CDBG assistance for additional construction or reconstruction until five (5) years have passed since the grant closeout date.

9. **Architectural Barrier Removal** - A municipality applying for assistance with an architectural barrier removal project must submit a copy of its locally approved Americans with Disabilities Act (ADA) Self Evaluation Survey and Transition Plan. The ADA was enacted in 1990 and requires local governments to evaluate for accessibility all of its programs and services that had not previously been reviewed under Section 504 of the Rehabilitation Act of 1973. The Act also required preparation of a Transition Plan for removal of programmatic and structural barriers to its programs and services, and set forth a process for involving the community in the development of the Self Evaluation Survey and Transition Plan. Programmatic removal of barriers must be fully explored before considering CDBG funding for structural barrier removal.

It is the responsibility of each community to ensure that its Transition Plan is consistent with federal regulations. A community's request for Mass CDBG funding must be consistent with the priorities set forth in these locally developed documents. Communities may wish to contact the Massachusetts Office on Disability or the U.S. Department of Justice for specific questions regarding the ADA and the Rehabilitation Act of 1973.

⁴ Evidence of site control may include but is not limited to a deed, lease agreement, purchase and sale agreement, or other contract or legal document.

⁵ Design Development Drawings are beyond schematic documents and provide sufficient detail to establish firmly the features of the project. Drawings and details should precisely illustrate the various rooms, auxiliary use areas, materials, and equipment as well as site and utility installations. The estimated project construction costs developed through the schematic documents should be confirmed by the design development drawings. An Architect/Engineer should prepare these documents.

For Architectural Barrier Removal projects of \$25,000 or more attach one copy of the design development drawings, prepared by a licensed architect or engineer.

10. **Design Development Drawings** - Design development drawings are required for all public facilities and architectural barrier removal projects of \$25,000 or more. Beginning in FY 2005 DHCD will require bid-ready plans and specifications for all public facilities and architectural barrier removal projects.

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| E. ALLOCATION OF CDBG FUNDS TO THE COMMONWEALTH |
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The federal Fiscal Year 2004 HUD allocation to the Commonwealth of Massachusetts is expected to be approximately \$38,650,000. DHCD's funds are subject to availability from the federal government, which is contingent on the federal budget and appropriations process and the HUD allocation process. In addition to the HUD allocation DHCD expects to receive approximately \$500,000 in program income, for a total of \$39,150,000 available for FY 2004. These funds will be distributed during the program year to eligible cities and towns in accordance with the allocation among program components outlined below. If changes to this distribution become necessary, procedures outlined below explain how such changes will be made.

| PROGRAM COMPONENT | Mass CDBG ALLOCATION (ESTIMATE) |
|--|------------------------------------|
| Community Development Fund I | \$17,000,000 |
| Community Development Fund II | \$ 4,750,000 |
| Mini-Entitlement Program | \$ 7,200,000 |
| Housing Development Support Program | \$ 5,000,000 |
| Business Development Fund - includes -Massachusetts Community Capital Fund -Ready Resource Fund | \$ 2,380,000 |
| Reserves | \$ 650,000 |
| Bridge Financing Program** | \$ 6,000,000 |
| Section 108 Loan Program** | \$20,000,000 |
| Section 108 Loan Repayments*** | \$ 920,000 |
| Administration and Technical Assistance | \$ 1,250,000 |
| TOTAL AVAILABLE FOR FY 2004 (includes \$500,000 in program income) | \$39,150,000 |
| **Bridge Financing and Section 108 Loan Program allocations do not impact the FY 2004 Allocation ***Section 108 Loan Repayments are budgeted but not necessarily required. This is an "up to" amount. | |

Reallocation of funds among program components: During the year, DHCD may have cause to recapture earlier program year funds from non-performing grantees; or there may be small amounts of program funds from prior years that have yet to be used; or there may be opportunities to recapture program income generated by communities from earlier projects; or there may be extreme demand for one program component; or there may be minimal demand for one component. Funds will be reallocated depending on the timing of other

components and the apparent demand for funds or to address emergency situations during the program year. When awarding those funds DHCD will use current program guidelines as established in the most recent One Year Plan. DHCD reserves the right to increase or decrease the allocation of a program component. When these cumulative changes meet the threshold criteria of an amendment, DHCD will follow the process in accordance with the State's Consolidated Plan and regulations at 24 CFR 91.505. DHCD may also have cause to fund from any allocation or resources to respond to corrective actions after program closeouts or as a result of other administrative errors.

F. AVAILABILITY OF CDBG PROGRAM FUNDS

All CDBG program funds will be available to eligible grant recipients based on applications for Massachusetts Community Development Block Grant funds and/or Notices of Funding Availability that will be distributed on a regular basis. These documents will make communities aware of the requirements of each particular component and will be available to allow communities adequate time to prepare grant applications for each program.

A single community may receive no more than \$1 million from any combination of federal FY 2004 Community Development Fund I or II, or Mini-Entitlement grant funds. Awards not subject to the \$1 million cap per community include the Massachusetts Community Capital Fund (MCCF), Ready Resource Fund, Housing Development Support Program, Section 108 Loan Program, and Bridge Financing Program.

Listed below are application distribution dates for each program and the corresponding due dates. A Notice of Availability of Funds will be issued, as appropriate, prior to release of each Application subject to the availability of federal funds.

| Program Components⁶ | Application Issued | FY 2004 Applications Due |
|---|---------------------------|-----------------------------------|
| Community Development Funds I and II | October 2003 | Tuesday, January 13, 2004 |
| Mini Entitlement Program | October 2003 | Tuesday, January 13, 2004 |
| Housing Development Support Program | September 2003 | November 13, 2003 and May 6, 2004 |
| Business Development Fund: includes -Massachusetts Community Capital Fund (MCCF) | September 2003 | Continuous |
| -Ready Resource Fund | September 2003 | Continuous |
| Section 108 Loan Program | Available | Continuous |
| Bridge Financing Program | Available | Continuous |

⁶ The FY 2004 applications will be operative upon their release. Actual release of funds is contingent on HUD approval of the state's One Year plan, and will be dictated by the date the state receives HUD approval on its Plan.

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| G. EVALUATION CRITERIA APPLICABLE TO ALL CDBG PROGRAMS |
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DHCD reserves the right to incorporate any or all of the following Evaluation, Regulatory and Performance criteria in its award decisions:

Evaluation:

- solicit and verify information from any state and federal agencies and other entities, and based on that information, reduce, increase or deny an award to a community.
- conduct site visits for any proposed CDBG project, prior to grant award, and if necessary, condition, reduce, increase or deny an award to a community.
- reduce or increase an award to a community to assure that a grant budget is reasonable.
- fund, fully or partially, a project from other state resources.
- resolve tie scores in a competitive fund by applying the criteria below in the following order:
 1. Applications for projects that increase the community's supply of housing;
 2. Applications for housing and/or economic development projects that are consistent with the goals of the Administration;
 3. An application from the community with the higher Community-Wide Needs score will be funded;
 4. Regional applications; and
 5. If scores remain tied after the application of steps #1 through 4, DHCD will conduct a lottery at which a representative from HUD will be present.

Regulatory:

- ensure that at least 70 percent of CDBG assistance, as per federal statute, is used to support projects that directly benefit low- and moderate-income persons of the Commonwealth.
- ensure that no more than 15 percent of the FY 2004 Massachusetts CDBG allocation is for public social service activities as per federal regulation.
- deny a grant, or a portion thereof, to ensure that no more than 20 percent of the FY 2004 Massachusetts CDBG allocation is for planning and administration as per federal regulation.
- not review an application unless signed by the municipality's Chief Elected Official.

Performance:

- reduce an award to a community with an uncommitted program income balance of \$100,000 or more.
- reduce an award, deny a grant, or impose special conditions on a community with prior year grants with a low rate of committed or expended dollars. This includes dollar-for-dollar reductions in awards for projects funded in previous rounds for which unexpended funds remain.
- reduce an award, deny a grant, or impose special conditions on a community with outstanding, major findings that are unresolved at the time application decisions are being made; or which have otherwise had a history of significant, repeat findings. These findings could have resulted from any grant program offered by DHCD.

Major findings means non-compliance with a statutory requirement which, if not satisfactorily resolved by the community, would require that the federal funds be repaid by the municipality, or result in other serious sanctions.

History of significant, repeat findings means non-compliance with statutory or regulatory requirements in more than one grant cycle, where the community may have resolved those findings but with an unacceptably slow response.

- consider the past performance of the applicant community and its administering agency or project sponsor, including continuing prior performance issues.

EO 418 Bonus Points - In addition, applicants to all competitive programs that meet eligibility threshold and scoring criteria will receive an additional ten percent (10%) of the total available points if they have received certification of compliance with Executive Order 418.

Awarding of Grants

Based on the scores produced through the review process, grant award recommendations are made to the Director of DHCD, whose decision is final. In the competitive programs, grants are awarded for projects to municipalities that received the highest application scores and which meet applicable thresholds until all available funds are distributed. In the programs with rolling applications, grants are awarded for projects to municipalities with application scores that meet a minimum scoring threshold, or that meet other program criteria, or both. DHCD reserves the right to award a grant in whole or in part, or to reject any and all proposals received.

Grievance Procedure

Within forty-five (45) days of the date of the Director's written notice of grant determinations to applicant cities and towns, any municipality aggrieved by DHCD's decision may challenge the denial of its grant by submitting a letter of appeal from the Chief Elected Official of the municipality to the Director, who shall respond no later than forty-five (45) days from the date of receipt of the municipality's appeal.

H. PROGRAM SANCTIONS

DHCD reserves the right to suspend or terminate grant awards made to eligible communities should there be instances of fraud, abuse, poor performance, misrepresentation, or extreme mismanagement, or in the event a grantee is unable to carry out a project as approved in an application. The community staff and Chief Elected Officials will have the opportunity to discuss possible sanctions prior to any formal action. If formal sanctions are recommended, grantees will be provided a full opportunity to appeal such decisions to the Director of DHCD before any final action is taken.

All program funds recaptured through the sanctions process will be re-programmed consistent with the procedures in (E) *Allocation of CDBG Funds* and (J) *CDBG Program Components*. Based on the significance of the issues involved in any such determination, DHCD may suspend, for a period of up to three (3) years or until final resolution is achieved, a community's eligibility to participate in any Massachusetts CDBG component. Such action will only be taken in extreme circumstances and only after all alternatives have been exhausted.

I. CITIZEN PARTICIPATION REQUIREMENTS FOR APPLICANTS AND GRANTEES

All applicants for funding under the FY 2004 Massachusetts CDBG Program must comply with the citizen participation requirements contained in Section 508 of the Housing and Community Development Act of 1987. DHCD expects citizen involvement in the identification of community development needs, the development of applications, program assessment and evaluation. Communities must include in their Massachusetts CDBG application a local citizen participation plan detailing how the community will provide:

1. citizen participation, with particular emphasis on participation by persons of low- and moderate-income, residents of slums and blighted areas and of areas in the state where CDBG funds are proposed to be used;
2. reasonable and timely access to local meetings, information, and records relating to the grantee's proposed use of funds, and relating to the actual use of funds;
3. information on the amount of state CDBG funds available during the year; the range of eligible CDBG activities; and how activities will benefit low- and moderate-income persons;
4. technical assistance to groups representative of persons of low- and moderate-income that request such assistance in developing proposals;
5. **a minimum of 2 public hearings**, each at a different stage of the program (development and implementation), to obtain citizen views and to respond to proposals and questions at all stages of the community development program, including at *a minimum* (a) the development of needs, (b) the review of proposed activities, and (c) review of program performance. These hearings shall be held after

adequate notice, at times and accessible locations convenient to potential or actual beneficiaries, and with accommodations for persons with disabilities. At least one public hearing must be held prior to submittal of an application; a second must be held during the course of the grant year;

6. a timely written answer to written complaints and grievances, within 15 working days of receipt where practical; and
7. the plan must also identify how all residents and beneficiaries, including minorities and non-English speaking persons, as well as persons with disabilities can be reasonably expected to participate in the program in general, and at public hearings in particular.

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| J. CDBG PROGRAM COMPONENTS |
|-----------------------------------|

This section briefly describes the components of the Massachusetts CDBG Program. Each program component description includes eligible uses, grant award amounts, and evaluation and award criteria. In the event of conflicting language, this One Year Action Plan takes precedence over language in all program component applications. The program components are:

1. Community Development Fund I (CDF I)
2. Community Development Fund II (CDF II)
3. Mini-Entitlement Program
4. Housing Development Support Program (HDSP)
5. Business Development Fund
 - a. Massachusetts Community Capital Fund (MCCF)
 - b. Ready Resource Fund (RRF)
6. Reserves
7. Bridge Financing Program
8. Section 108 Loan Program
9. Administration and Technical Assistance by DHCD

1. COMMUNITY DEVELOPMENT FUND I (CDF I)

Program Description

The Community Development Fund I (CDF I) annually awards grants to communities throughout the Commonwealth. This program helps eligible cities and towns to meet a broad range of community development needs in housing, business development, physical development, downtown revitalization, and public social services. It supports CDBG-eligible activities and encourages applicants to develop comprehensive, creative solutions to local problems. The CDF I Fund is targeted to communities with high Community-Wide Needs scores (ranging from 18 to 25) and very limited financial ability to address those needs with local funds. See Exhibit 3 for Community-Wide Needs Scores and Exhibit 4 for the indicators and formula used to derive the scores.

In federal FY 2004 DHCD expects to award approximately \$17,000,000 in CDF I grant funds, depending upon Massachusetts' federal allocation.

Grant Award Amounts

Applicants for a CDF I grant will be eligible to receive up to the following amounts based on the type of application submitted:

| Category | Minimum Grant from Competitive Round: | Maximum Grant from Competitive Round: |
|-----------------------------------|---------------------------------------|---------------------------------------|
| Single Community | \$ 100,000 | \$ 800,000 |
| Two or more Communities | \$ 100,000 | \$ 1,000,000 |
| Joint/regional housing activities | \$ 100,000 per community | \$ 1,200,000 |
| Planning-only grants | \$ 20,000 | ----- |

The maximum CDF I grant award is \$800,000. The maximum award for joint/regional applications is \$1,000,000 for two or more communities. Applications that include joint/regional housing activities in each community may receive up to a total of \$1,200,000, provided that the entire increment above the \$1,000,000 cap is allocated toward housing-related activities. No single CDF I community in a joint/regional application may receive more than \$800,000. Finally, applications with joint/regional housing activities must allocate a minimum of \$100,000 to each community for those housing-related activities. There is a minimum grant amount of \$20,000 for planning-only grants.

Requirements:

1. CDF grants are **Single Year Grants** based on an 18-month implementation period. Communities should not apply for funds if the proposed project is not ready to proceed.
2. Two or more communities may apply **jointly or regionally**. *"Regional" is not limited to geographically contiguous cities and towns.* In order to comply with federal requirements governing such applications, each participating community would:
 - enter into an inter-local agreement that will allow a lead community to conduct grant activities within other communities;
 - sign the application certifications stating compliance with program regulations; and
 - demonstrate in the application how the requested funds will be allocated among all participants.

Each participating community in a joint or regional application must have a locally approved Community Development Strategy on file at DHCD, and all projects in the application must be consistent with those documents.

CDF I communities may also join with CDF II or Mini-Entitlement communities as joint applicants for housing activities only, with limitations as described above, and below in Section J. 2 – Community Development Fund II. Please note that the maximum allocation per CDF I community within a joint application of \$800,000

also applies to housing activities. The maximum per Mini-Entitlement remains at \$600,000 for those applying non-competitively, but can increase to \$800,000 for those applying competitively.

3. An applicant is eligible to apply to Community Development Fund I if its FY 2004 Community-Wide Needs Score, rounded to the nearest integer, is 18 or greater on a scale of 25. Community Wide Needs Scores are available in Exhibit 3.
4. Communities may apply once under the single application category and once as a participant (including as a lead applicant) in a joint or regional application. **However, if a community applies to CDF in both an individual and in a joint application, the community may not undertake individual activities in the joint application.** In addition, a municipality may not receive funds for the same activity under more than one CDF application during any one Mass CDBG federal fiscal year.
5. All CDF I applications must be received by DHCD by **Tuesday January 13, 2004, at 5:00 PM** or at the end of business, whichever is later.

Evaluation and Award Criteria

Application review and awards will be governed by the criteria and procedures as described above (Sections A through I), and the following criteria, process rules and special requirements. Additional detail on evaluation criteria and the review process will be in the FY 2004 Community Development Fund I Application Package.

1. Applications will be scored on a 100-point system as follows:

| CRITERION | POINTS |
|---------------------------|------------|
| Community Wide Needs | 25 |
| Community Needs Narrative | 10 |
| Project Need | 20 |
| Project Feasibility | 20 |
| Project Impact | 15 |
| Community Impact | 10 |
| Total | 100 |

Each criterion is described below. Please be advised that applicants must meet a minimum threshold for **Project Feasibility -- i.e., each project must appear to be feasible to undertake and complete or the other criteria will not be scored.**

Community-Wide Needs - are scored by DHCD, based on a set of criteria including population demographics, economic conditions, the community's fiscal condition, and assorted community development need indicators. A complete list of indicators is described in Exhibit 4. Communities are encouraged to submit a written request for their need scores. A community or its designee may make the request. DHCD will notify the community's Chief Elected Official of when and to whom the score is mailed. Only the lead community of a joint or regional application needs to submit a request for the community-wide needs score.

Regional and joint applications will receive needs scores based on an aggregation of data for the participating communities. (25 points)

Community Need - is a narrative in which applicants describe local or regional conditions and needs such as demographics, municipal management capacity, municipal finance, education, housing, capital and infrastructure needs, and socio-economic factors. This section will be scored based on the comprehensiveness of factors discussed, the severity of needs described and the degree to which the needs are confirmed by verifiable information contained in the narrative. Regional and joint applications will be scored based on a narrative addressing needs of all participants. (10 points)

Project Need - requires applicants to document and describe the particular needs that will be addressed by each proposed project and the severity of those needs. This section will be evaluated on the severity of need, the need for CDBG funds to undertake the project, the reasons local resources are not available, efforts to secure other funds to address the need, the demand for the proposed project, and involvement by the community and target population in the development of the project or program. (20 points)

Project Feasibility - requires applicants to document and describe elements that demonstrate the feasibility of the project and the ability of the applicant to complete the project within the 18-month grant implementation period. Project Feasibility will be evaluated on the following factors: readiness of the project to proceed; reasonableness of project funding when compared to similar projects; the reasons why the proposed project is best able to meet the identified needs as compared to alternative approaches; and completeness and reasonableness of timeline. (20 points)

Project Impact - requires applicants to document resources leveraged, and describe the impact of the proposed project on the target population or target area including physical and visual impacts, if applicable. It will be scored on the extent to which other resources are leveraged, cost effectiveness, the impact upon the target area or target population, the number of persons to benefit from the proposed project, quantitative and qualitative assessment measures, an assessment of the impact of previously funded activities, and the degree to which the project substantially addresses the sustainable development principles found in Exhibit 5. (15 points)

Community Impact - Successful applicants will demonstrate that the proposed project(s) will: be integrated with local plans and/or state initiatives; address significant community need; result in completion of ongoing CDBG projects/programs and related local efforts; benefit a substantial number of low to-moderate persons; result in a self-sustaining program(s); and sustain local community development capacity. (10 points)

2. To be determined fundable, a project packet must earn a score of at least 33 points out of the 55 possible for Project Need, Feasibility, and Impact, combined.

3. Applications with more than one project packet (component) to be considered for funding will receive a single Project Score that is based on the average score for each project that meets the thresholds enumerated above then rounded to the nearest whole number.
4. When all applications have been reviewed, each packet score will be rounded to the nearest whole number. DHCD will fund proposals by ranking the scores from highest to lowest.

2. COMMUNITY DEVELOPMENT FUND II (CDF II)

Program Description

This program helps the state's non-entitlement cities and towns meet a broad range of community development needs in housing, business development, physical development, downtown revitalization and public social services. In federal FY 2004, DHCD expects to award under the Community Development Fund II (CDF II) to eligible applicants, depending upon the allocation of federal funds from HUD.

Grant Award Amounts and Requirements

Applicants for a CDF II grant will be eligible to receive up to the following amounts based on the type of application submitted:

| Category | Minimum Grant from Competitive Round: | Maximum Grant from Competitive Round: |
|-----------------------------------|--|--|
| Single Community | \$ 100,000 | \$ 800,000 |
| Joint/regional housing activities | \$ 100,000 per community | \$ 1,200,000 |
| Planning-only grants | \$ 20,000 | ----- |

The maximum CDF II grant award is \$800,000. No one single CDF II community in a joint/regional application may receive more than \$800,000 in FY 2004 funds. Applications with joint/regional housing activities must allocate a minimum of \$100,000 to each community for those housing-related activities. There is a minimum grant amount of \$20,000 for planning-only grants.

This program is available to communities with a Community-Wide Needs Score equal to or less than 17 out of 25 points for federal Fiscal Year 2004. Community Wide Needs Scores are available in Exhibit 3. All requirements of the CDF I apply to the CDF II except as follows:

- communities cannot apply to both CDF I and CDF II (except as participants in regional housing activities).
- only single municipalities may apply to CDF II (except as participants in regional housing activities).

- the maximum grant award is \$800,000; the maximum joint / regional housing grant is \$1,200,000.

CDF II communities may join with a CDF I and/or a Mini-Entitlement lead applicant or with another CDF II for housing activities only. Participation by CDF II communities in joint applications is limited to housing activities. Joint/regional applicants are not limited to geographically contiguous cities and towns. The Community Wide Needs Score of CDF II applicants will not be considered in the composite regional Community Wide Needs Score. Participation in a regional application will not prohibit an eligible CDF II applicant from applying individually to the CDF II, within the stated restrictions.

The following conditions apply to such joint/regional housing applications:

- The maximum grant awards for applications with joint/regional housing activities will be capped at \$1,200,000, in accordance with the Maximum Grant Amounts appearing in the chart above. The maximum allocation per community within a joint application will be capped at \$800,000.
- Lead communities may use these additional funds only for the cost of the additional housing activities outside the lead community and for related project administration.
- Funds allocated to the CDF II communities for joint housing activities will not be included when calculating the \$1 million cap in Mass CDBG funds that the lead CDF I or Mini-Entitlement communities may receive in a fiscal year.
- Funds allocated to the CDF II communities for joint housing activities will be included when calculating the \$1 million cap in Mass CDBG funds that participating CDF II communities may receive in a fiscal year.

All CDF II applications must be received by DHCD by **Tuesday January 13, 2004, at 5:00 PM** or at the end of business, whichever is later.

LIMITATIONS/CONDITIONS ON SUBSEQUENT CDF II APPLICATIONS

Receiving an award from the Community Development Fund II precludes a community from applying to a Community Development Fund program the following **two** federal fiscal years, except in the following instances:

- A Community Development Fund II eligible community that has not received a CDF II grant award on its own but which has participated with a Community Development Fund I or Mini-Entitlement community for **housing activities** may apply to the Community Development Fund.
- A Community Development Fund II eligible community that has received a CDF II grant award in FY 2002 or FY 2003 on its own may be a participant with a CDF I, CDF II or a Mini-Entitlement community, for **housing activities only**.

- A CDF II eligible community that has successfully administered an FY 2002 or FY 2003 housing related grant on its own may be eligible to be a single or lead applicant for **housing activities only**.
- A community with an FY 2004 Community Wide Needs (CWN) score of 18 or above is a CDF I community and may apply for a CDF I grant regardless of CWN score in years prior to FY 2004.
- A community awarded FY 2003 funds for an architectural/engineering planning-only project may apply for FY 2004 funding to implement the planned project. However, the maximum allowable FY 2004 grant award (see chart on page 17) will be reduced by the amount of the FY 2003 planning grant.

Exhibit 2 lists communities that may not apply for CDF funds in FY 2004.

Evaluation and Award Criteria

Applications will be reviewed according to the same criteria and process for activities as detailed in the discussion above describing criteria for CDF I. However, the Community-Wide Needs Score will not be factored into the evaluation. The application will be scored on a 75-point scale.

3. MINI-ENTITLEMENT PROGRAM

DHCD is in the process of evaluating the Mini-Entitlement Program and its continuation beyond FY 2004. As a result, all FY 2003 Mini-Entitlements will be held harmless and eligible for up to \$600,000 in FY 2004. Mini-Entitlements that meet the timely expenditure threshold at the time of application will have the option of either applying non-competitively for the \$600,000, or alternately, applying competitively for up to \$800,000. Applicants must indicate on the application cover sheet which option they are selecting.

Program Description

Municipalities were selected to be Mini-Entitlement communities if they met the following criteria: (1) Community Wide Needs Score of 19 or higher; (2) ranking within the top 30% in the state of: a) population, b) percentage of low- and moderate-income households, c) the number of pre-1939 housing stock, and d) population density; and (3) were Mini-Entitlement communities in FY 1999. In Federal FY 2004, DHCD expects to award \$7,200,000 from the Mini-Entitlement Program allocation to 12 designated Mini-Entitlement municipalities, listed below:

| | | | |
|----------|-------------|-------------|------------------|
| Amesbury | Gardner | Methuen | Revere |
| Chelsea | Greenfield | North Adams | Southbridge |
| Everett | Marlborough | Northbridge | West Springfield |

This program helps larger non-entitlement urban communities with the highest needs scores improve conditions for their low- and moderate-income residents through comprehensive planning and predictable funding. Through this program, identified cities and towns can meet a broad range of community development needs in housing, business development, physical development, downtown revitalization, and public social services. It supports all CDBG-eligible activities and encourages applicants to develop comprehensive, creative solutions to local problems.

Grant Award Amounts and Requirements

The maximum grant award is \$600,000, **or up to \$800,000 for those applying competitively**. Mini-Entitlement applications will contain a 18-month implementation and cash flow plan. Release of the FY 2004 allocation, however, is contingent on 1) the community's adherence to the timely expenditure threshold (see Applicant/Project Thresholds above), and 2) continued availability of federal funding.

Evaluation and Award Criteria

The following requirements apply to the Mini-Entitlement Program:

1. In accordance with the Massachusetts CDBG Priorities listed in Section A, DHCD seeks to fund projects identified through meaningful community-based planning and priority setting processes as described in SECTION D. 7.
2. Each Mini-Entitlement grantee must submit an updated community development strategy as detailed above in SECTION D. 7.
3. All FY 2004 Mini-Entitlement applications must be received no later than **Tuesday January 13, 2004**. The Application must describe how CDBG funds will be allocated; include goals and performance measures for each activity; demonstrate compliance with a federal national objective and all federal/state requirements; and provide a management plan. For Mini-Entitlement applicants seeking up to \$800,000 competitively, the application shall consist of all of the forms, packets and narratives required for CDF I and II Applications and noted in the Application Instructions and Checklist. For Mini-Entitlement applicants seeking \$600,000 non-competitively, the application shall consist of project packets describing and

documenting project need, feasibility and impact, and other required forms and narrative as noted in the Application Instructions and Checklist. The project packets will be reviewed for compliance with all evaluation criteria. **Project packets will not be scored for applications seeking \$600,000 non-competitively, but will be scored for those seeking up to \$800,000 competitively.**

4. All activities that are eligible under Section 105(a) of Title I of the Housing and Community Development Act of 1974, as amended, will be considered for funding with the exception of organizational activities of downtown partnerships.
5. **Mini-Entitlement communities may join with CDF I or CDF II communities as joint applicants for housing activities only**, with limitations as described above in Section J. 2.

4. HOUSING DEVELOPMENT SUPPORT PROGRAM

Program Description

The Housing Development Support Program (HDSP) is designed to facilitate small project-specific affordable housing initiatives with emphasis on creation, preservation or improvement of housing units, which may not be cost-effective under alternative development assistance programs or with conventional financing.

Grant Award Amounts and Requirements

Notice of Intent Process

Communities must submit a Notice of Intent (NOI) in order to apply for HDSP funds. A NOI may be obtained by contacting HDSP staff, and must be submitted under signature of the community's Chief Elected Official.

The NOI must be received by DHCD at least seven (7) weeks prior to the application due dates. For FY 2004 HDSP applications, a NOI must be received by DHCD no later than **Thursday, September 25, 2003** for the first round of FY 2004 funds, and **Thursday, March 18, 2004** for the second round.

Applicants are encouraged to submit the NOI at any time in advance of the NOI deadlines. The flexible NOI process is intended to accommodate scheduling and to provide additional time for application preparation.

The NOI provides essential information about the project and confirms its consistency with HDSP eligibility requirements. HDSP staff will review NOIs, and an initial informational meeting will be scheduled with the community.

Following the initial meeting, the applicant community will be notified in writing if it will be invited to submit an application and if any additional information is needed. If, on the basis of the initial meeting, the community is not invited to submit an application, such notice will detail the reasons.

Other Application Requirements

Applications are due by 5:00 PM or the end of business day on **Thursday, November 13, 2003** for the first round of FY 2004 funds, and **Thursday, May 6, 2004** for the second round.

HDSP funding is generally limited to projects containing fewer than eight units. NOTE: Housing projects serving persons with special needs, and single-room occupancy (SRO) projects may exceed the seven-unit limit. Project grant amounts are limited to a minimum of \$100,000, and a maximum of \$500,000, plus administrative costs.

For most projects, all state and federal grants combined for most projects shall not exceed 75 percent of total actual project costs. Please note that projects exclusively benefiting special-needs populations may qualify for up to 100 percent of total actual project costs.

The Director of DHCD may waive the 75% criterion if circumstances so warrant. Prior consultation with HDSP staff is required prior to requesting a waiver.

Projects of up to 10 units involving the conversion to housing of upper story space in downtown buildings and other adaptive reuse proposals may apply for up to \$750,000 plus administrative costs.

Projects receiving funding from any source administered by DHCD's Division of Private Housing are excluded from applying to HDSP.

DHCD reserves the right to limit the number of applications a community may submit in one fiscal year.

Housing Development Support Program (HDSP) Guidelines

The HDSP will provide \$5 million in FY 2004, to fund smaller projects in communities that address a variety of activities supporting the development, improvement and retention of public or private housing affordable to low- and moderate-income persons. Typical project activities include moderate or substantial rehabilitation of residential and mixed use projects; reclamation of abandoned/foreclosed properties; elderly, transitional and special needs housing; and conversion to housing of obsolete and under-utilized structures such as vacant school and mill buildings. Funds can be used for acquisition, rehabilitation, site work and related infrastructure. 51% of the units must be affordable to and occupied by low and moderate income households.

Evaluation and Award Criteria

All HDSP projects must comply with the low- and moderate-income National Objective. The requirements set forth in Section D: *APPLICANT/PROJECT THRESHOLDS* above will govern application review and awards.

Applications will be scored on a 100-point system as follows:

| CRITERION | POINTS |
|--------------------------------|---------------|
| Affordability | 20 |
| Readiness to Proceed | 30 |
| Development Team Capacity | 10 |
| Site and Design | 20 |
| Cost Effectiveness | 15 |
| Sustainable Development | 05 |
| Total | 100 |

Applications must receive a minimum of 70 points to be eligible for funding. Criteria are described below.

The review and scoring of HDSP applications will be based on the materials submitted in the application as received on the deadline date, i.e., in an "as submitted" condition. Any information that is not included will be considered to be missing, and the application

evaluated accordingly. DHCD reserves the right to adjust award amounts based on this condition.

Feasibility Threshold - All projects must demonstrate financial feasibility, including adequate sources available for all costs based on reasonable cost estimates and financial need, and sufficient revenues to pay expenses based upon reasonable assumptions. Sources and uses of funds are limited to actual documented cash/expenditures specific to the proposed project. Project rents/sales prices must be within HDSP limits for affordable units and must be affordable to the household sizes that could reasonably be expected to occupy the units based on the number of bedrooms. Proposals must also demonstrate site control, major permit approval, and that a market exists for the type of unit proposed at the rent or sale price projected. Proposals that do not meet this feasibility threshold will not be further evaluated.

Affordability - All projects will be evaluated according to the affordability term to be secured by rental/resale restrictions proposed beyond the fifteen-year threshold, and the proposed percentage of affordable units available for low- and moderate-income occupancy. (20 points)

Readiness To Proceed - At a minimum, applicants must provide evidence that the project can be implemented and completed within the grant term. Projects will also be evaluated on status of financing commitments, site control, land use and zoning requirements, other necessary approvals and relevant factors. (30 points)

Development Team Capacity - The track record and levels of previous comparable work experience of the project developer, applicant community, development consultant, architect, management agent, and service provider, if applicable, will be reviewed and assessed, including quality of such work and the schedule of its delivery. Inexperienced developers who retain an experienced development consultant may be scored in part based upon an evaluation of the consultant. DHCD may take into consideration an applicant's qualifications, history, experience, and past performance (if any) in housing development with DHCD and other government and quasi-public agencies, as well as the technical assistance and support the community intends to provide to a less-experienced developer. (10 points)

Site and Design - The quality of the site will be reviewed based on desirability of location, revitalization potential, community character, convenience, adequacy of utilities and infrastructure, appropriateness of design for the site, and the absence of significant development constraints such as adverse environmental conditions. In addition, proposed projects will be reviewed on the basis of site conditions (e.g., ledge, grade, soil suitability), conservation of natural resources, condition of existing structure (including adaptability to proposed use), and neighborhood characteristics.

The proposed design will be reviewed for visual impact, overall plan layout, site design, appropriateness of building design and amenities, including suitability for target population, and adequacy of the proposed scope of work. (20 points)

Cost Effectiveness - Each applicant must demonstrate that it is requesting the minimum amount necessary to produce a viable project, taking into account all other

potential sources of funding and all opportunities to reduce costs to reasonable and necessary levels. Evaluation under this criterion will include total development costs per unit, HDSP cost per unit, developer fees and overall soft costs as a percentage of total development cost, per unit operating costs, and reasonableness of costs when compared to similar projects. (15 points)

Sustainable Development – Each project will be evaluated for consistency with and by the extent to which Sustainable Development principles are addressed (5 points).

5. BUSINESS DEVELOPMENT FUND

Massachusetts Community Capital Fund and Ready Resource Fund

Program Description

The Business Development Fund, comprised of the Massachusetts Community Capital Fund (MCCF) and the Ready Resource Fund (RRF), offers financing solutions to meet the needs of businesses which retain and/or create low- and moderate-income jobs, strengthen the local tax base, support revitalization efforts and enhance the quality of life in the community. This economic development program is offered to local communities for industrial, commercial, service, real estate or mixed-use projects.

This program funds a broad range of economic and community development projects. Economic development projects may include assistance to non-profits and for-profits including small businesses and microenterprise; loans – or loan/grant combinations - for working capital, machinery and equipment, or other business improvements; pre-development studies; economic development planning projects; and public facilities, infrastructure, or public services supporting economic development. Funds can be used by a community or its subgrantee to assist economic development projects with planning, design and engineering, construction, rehabilitation, purchase of machinery and capital equipment, working capital, credit refinancing, incumbent workforce training, real estate acquisition, or public services programs.

In an effort to encourage mixed-use development, Business Development Funds may be used in partnership with Housing Development Support Program funds, or other CDBG or non-CDBG funding sources, to undertake building improvements for the non-residential components of mixed-use projects. The allowable uses of MCCF or RRF funds will be determined on a case-by-case basis, depending on the nature of the project and how it will comply with eligibility, national objective and other program requirements. Project proponents are encouraged to contact RRF staff as early as possible in the process.

DHCD anticipates that \$2,880,000 will be available to the Fund during FY 2004: \$2,380,000 will be available from the FY 2004 CDBG allocation, which will be supplemented by an estimated \$500,000 from revolving loan fund program income that DHCD expects to earn during the program year.

a) Massachusetts Community Capital Fund (MCCF)

Grant Award Amounts and Requirements

- MCCF loans are made to individual businesses or eligible entities via the municipality. Funds can be used for real estate acquisition, new construction and rehabilitation, purchase of machinery and capital equipment, working capital, and credit refinancing.
- Applications will be accepted on an ongoing basis throughout the year.

- DHCD reserves the right to limit the number of applications a community may submit in one fiscal year.
- MCCF will fund up to one-third (1/3) of the total project costs.
- Financing to a given borrower will be limited to \$500,000 in a fiscal year.
- The minimum financial assistance to a given borrower will be \$100,000.
- The Director of the Department of Housing and Community Development may waive program guidelines to allow for:
 - awards greater than 1/3 of total project costs
 - financing above \$500,000
 - financing below \$100,000

The applicant would need to demonstrate extraordinary circumstances and a strong rationale in order to receive any of these waivers. If the applicant anticipates the need for a waiver, it will be necessary to review all factors leading to this request with appropriate CDBG staff.

- Program Income from the repayment of MCCF loans has been and/or will be deposited in a revolving loan fund account established under Community Development Block Grant regulations and remain with DHCD. The amount of program income available may vary if MCCF loans are either prepaid or the borrower defaults on payments.
- The amount requested/awarded may also include program administration costs to the community.
- Loan repayments will be made to a DHCD authorized agent, as specified in the community's contract with DHCD.
- Loan terms are flexible.

Evaluation and Award Criteria

Application review and awards will be governed by the following criteria, process rules and special requirements. MCCF applicants will be evaluated according to a two-stage process, which consists of (1) preliminary screening and (2) the formal application.

- (1) Preliminary Screening - A project that is potentially able to achieve a national objective will be invited to submit basic financial and business information and a project design. CDBG staff undertake a preliminary screening, which will address the following program requirements:
 - The likelihood that the project will meet a CDBG **national objective**, i.e., either create or retain jobs for low- and moderate-income persons, or eliminate a slum or blighting condition. For projects qualifying under benefit to low- and moderate-income persons, additional evaluation factors include such

public benefit considerations as: number of jobs to be created and/or retained; the quality of those jobs as reflected in wage levels and employee benefits; and CDBG dollars per job (\$20,000 per job or less is preferred).

- **Credit quality** - Evaluation factors include viability of the business or development project, ability to generate cash flow to service debt, and availability of collateral to secure the loan.
- Financial **need for CDBG funds**, with underwriting guidelines established by the US Department of Housing and Urban Development and state policies.

- (2) Formal Application - If a project is deemed likely to fulfill the program requirements, the municipality will be invited to submit a complete application on behalf of the prospective borrower. The three-part analysis above is again reviewed and completed in detail. The applicant community's adherence to relevant federal and state regulations is reviewed. Denial of the application at this stage may result from causes including but not limited to (i) the city's or town's failure to adhere to regulations or the required process, (ii) adverse changes in the project, and (iii) new information about the project.

(b) Ready Resource Fund

Grant Award Amounts and Requirements

- Applicants may apply for a wide range of eligible activities supporting economic development including, but not limited to: planning and pre-development studies; acquisition; micro and small business technical assistance programs and regional revolving loan funds; business technical assistance; public social services related to economic development; and infrastructure and public facilities projects in support of economic development. RRF funds may also be used in tandem with MCCF, where financially appropriate.
- The Ready Resource Fund will assist an organization/entity providing economic development loan funds, if the organization can demonstrate management capacity and has an established track record of providing/servicing such loans.

Ready Resource Fund grants will generally be limited to a maximum of \$400,000. A waiver may be granted by the Director of DHCD to increase the grant to a maximum of \$500,000. There is a \$50,000 cap, inclusive of planning-related general administration, on all planning grants in a Ready Resource Fund (RRF) application.

- Grants are based on an 18-month implementation cycle.
- Applications will be accepted on an ongoing basis throughout the year, based on funding availability.
- A community may receive no more than one Ready Resource Fund grant award in any fiscal year.

Evaluation and Award Criteria

The following criteria, processes, rules and special requirements will govern application review and awards.

RRF applicants will be evaluated according to a two-stage process, which consists of (1) completion of an AIF and initial meeting and (2) the application.

- (1) AIF/Initial Meeting - The applicant must submit an Application Information Form (AIF) before DHCD will consider a Ready Resource Fund application. Upon receipt of the AIF, CDBG staff will schedule an initial informational meeting between program staff, and representative(s) of the municipal government to determine if the proposed project meets basic program requirements.

Following the initial meeting, the applicant community will be notified in writing of the status of its RRF proposal. If the proposed project(s) appears likely to meet all program requirements, and funding remains available, then the community will be invited to submit a full application. If the proposed project(s) is(are) unlikely to meet program requirements, the community may reformulate the project(s) to address identified inconsistencies or deficiencies, and request another meeting. In no case will more than one revision be considered for a proposed project.

- (2) Application - If the proposed project is considered by program staff to be consistent with program requirements, and likely to meet the threshold criteria discussed in Section D: *APPLICANT/PROJECT THRESHOLDS* above, CDBG staff will invite the community to submit an application. If the applicant does not submit an application within three (3) months of the date of the invitation letter, it will be required to submit another AIF and repeat the two-step application process in order for DHCD to further consider the proposed project.

Applications will be reviewed for completeness, documentation of application / project thresholds, and responses to project-specific questions and comments (project conditions) included in DHCD's letter of invitation. To be considered for funding, a proposed activity must meet all thresholds, and must address all project conditions to the satisfaction of DHCD. In the event there are insufficient funds for all eligible applications, DHCD reserves the right to consider Ready Resource applications out of order of receipt based upon a review of the number of jobs to be created or retained, the impact of a project on the local tax base, such as increase in tax revenues, sudden job loss, levels of matching or leveraged funds, or other compelling circumstances.

6. RESERVES

On rare occasion, an exceptionally worthy application may fail to be funded in a competitive round, or DHCD may identify an innovative project that has not been funded with Mass. CDBG resources. A maximum of \$650,000 will be used to fund projects (not necessarily an entire application) which: (1) are consistent with the goals of the Administration but have not been competitive; (2) have not been previously funded due to cases of administrative error or (3) are deemed innovative by DHCD. Innovative projects include those that would

not normally be funded through a competitive round and are unlike any project previously funded by DHCD. The maximum grant amount for an innovative project is \$250,000.

Projects must meet CDBG national objective and eligibility requirements, rules and regulations, feasibility, and project threshold score. Thereafter, the Director will make the decision regarding which applications will be funded. Interested parties are to first contact Lou Martin by telephone at (617) 727-7004, extension 402 or e-mail at Louis.Martin@ocd.state.ma.us to discuss projects that may be eligible for "reserves" funding.

7. BRIDGE FINANCING PROGRAM

Program Description

The Bridge Financing Program is a short-term loan program -- up to 18 months -- that enables communities to borrow against the Commonwealth's annual CDBG allocation. DHCD will make up to \$6 million available during FY 2004. Loans will be provided for housing and economic development projects that meet Massachusetts CDBG threshold requirements, national objective criteria, and project evaluation criteria.

Loan Amounts and Requirements

Bridge Financing loan amounts will range from \$250,000 to \$2,000,000. The loan amount will not be included in the \$1 million annual limit that grantees may receive from the Commonwealth's annual CDBG allocation.

Evaluation and Award Criteria

All projects must demonstrate financial feasibility and comply with all applicable Application/Project Threshold Criteria described in Section D.

All housing development and economic development assistance projects will be evaluated according to a two-step application process comprised of: (1) a pre-application form and project meeting and (2) a full application submittal.

(1) Pre-Application/Project Meeting - The applicant must submit a Pre-Application Form before DHCD will consider a full Bridge Financing Program application. Upon receipt and review of the Pre-Application Form, a meeting involving program staff, one or more local official(s) from the applicant community, and at least one member of the project's development team will be scheduled to further discuss the details of the project.

(2) Full Application Submittal - Following the Project Meeting, the applicant community will be notified in writing regarding the status of their project proposal. If it appears likely that the project proposal will meet all program requirements, and funding remains available, then the community will be invited to submit a full application. What constitutes a full application submittal will tend to vary from proposal to proposal, but each invitation letter will specify what the applicant community will be required to submit to DHCD. The applicant community will have

up to three (3) months from the date of its invitation letter to submit the full and complete application to DHCD.

Projects must exhibit readiness to proceed, and meet all CDBG requirements. The short-term nature of the Bridge Financing loan limits the types of projects that will be financed.

Loan Security

Each loan will be fully secured by an unconditional, irrevocable line of credit from a commercial lending institution for the full amount of the loan principal and interest. The line of credit shall be provided by the end-recipient of the CDBG Bridge Financing funds, naming the Massachusetts Department of Housing and Community Development as beneficiary/payee. In addition, the line of credit shall be unconditionally available for drawdown by DHCD in the amount of any shortfall within 30 days of the date that the loan fails to meet the agreed repayment schedule, or upon failure of the grantee or borrower to comply with other specified terms and conditions of the loan agreement.

8. 108 LOAN PROGRAM

Program Description

The Section 108 Loan Program allows eligible communities to access federal loan funds for the purpose of aiding revenue-producing development activities. The program provides communities with a source of loan financing for community and economic development efforts involving industrial, service, commercial real estate, and housing or mixed-use projects. Funding is provided to the community to loan to the business or other entity.

The Commonwealth guarantees repayment of the HUD loan, and pledges its future CDBG allocation as collateral. Actual funding will be provided through the sale of notes by the federal Department of Housing and Urban Development.

This year the Commonwealth will pledge up to \$20 million in future CDBG allocations in support of these eligible activities.

Grant Award Amounts and Requirements

- The minimum award from this program is \$500,000 and the maximum is \$5 million. [The loan amount will not be included in the \$1 million annual limit that grantees may receive from the Commonwealth's annual CDBG allocation.]
- In general, awards from the Section 108 Loan cannot exceed 40% of the total project costs. However, DHCD will consider guaranteeing public infrastructure projects to a percentage greater than 40% on a case by case basis;
- DHCD is willing to consider phased projects, with the caveat that the time frame for full implementation is a maximum of five years or less;
- DHCD or HUD may disapprove applications, or approve a reduced guarantee or approve the request with conditions, such as but not limited to additional collateral and guarantees depending on the structure of the proposal; and

- Loan repayments will be made according to federal regulations, paid to the state on the basis of an agreement between the state (DHCD) and the grantee.

Section 108 Guidelines

Eligible activities include:

- Acquisition of developed or undeveloped property;
- Rehabilitation of real property;
- Acquisition, construction, reconstruction, rehabilitation or installation of commercial or industrial buildings, structures, and other real property equipment and improvements;
- Relocation payments and other relocation assistance;
- Site clearance and site preparation and construction of public improvements; and
- Payment of issuance, underwriting, servicing and other private sector financing costs.

Evaluation and Award Criteria

Applicants must contact DHCD prior to submission of an application. A two-stage process for evaluating potential applications is in effect, consisting of a preliminary screening and a formal application. Applicants also need to review the evaluation criteria and the review process information found in the Section 108 Program Application. Applications will be reviewed on a first come, first served basis, provided that threshold criteria are met and funds are available.

Successful applicants will receive project money from HUD, but the Commonwealth guarantees the repayment of the loan. The Commonwealth pledges its future CDBG grant funds to repay the federal government should a non-entitlement recipient of a Section 108 Loan default. DHCD will not pledge other collateral of the Commonwealth in support of proposals. Any additional security required by HUD must come from another source. The state has developed an application that provides for thorough review including the following criteria:

- activity must meet a CDBG National Objective, and Public Benefit standards in the case of economic development projects;
- project goals and activities are clearly defined;
- local efforts are consistent with state's economic development agenda;
- creation of public benefits;
- if the public benefit is jobs, the total number and quality of jobs created or retained;
- viability and feasibility of the proposed project;
- revenue projections and firm financial information of the proposed activity;

- revenue source for repayment of the loan must be clearly described and sufficient collateral available to secure the loan, appropriate to the level of exposure and risk;
- application must clearly demonstrate efforts to find conventional financing;
- the amount of financing required and information on any program income that the activity may generate must be included in the application;
- effective and capable management of the proposed activity;
- analysis of primary and secondary economic and fiscal impacts of the proposed activity;
- local community development needs and distress factors as demonstrated by a narrative or a variety of demographic statistics.

Section 108 Loan Activities

DHCD has processed one application that is currently under review by HUD. If the project sponsor proceeds, and the application is successful, DHCD would commit to use the Section 108 Loan Program to secure financing and guarantee loans for the following project during calendar year 2004:

Methuen – Malden Mills: \$5 million guarantee supporting a restructuring of \$93 million in company debt; the financing will result in the retention of 500 jobs.

In addition, DHCD and HUD approved the following Section 108 Loan Guarantee project in 2003.

North Adams - Massachusetts Museum of Contemporary Art (MASS MoCA): Approximate \$4.3 million loan to partially fund real estate development by the non-profit museum foundation. The \$13 million project involves rehabilitation of two buildings. This project is Phase II of the City and MASS MoCA's revitalization plan for one of North Adams' most distressed neighborhoods.

Loan Default

In the event of loan default, DHCD must be prepared to repay the Section 108 loans to HUD out of the Commonwealth's annual CDBG allocation. In addition to a pledge of future CDBG funds, collateral is provided from other sources, and the two noted above will be heavily collateralized with non-CDBG resources. The possibility exists, however, that the loans default and will need to be repaid from the annual allocation. In FY 2004 the potential liability, or repayment total, could be up to \$920,000 in the event of loan default.

If the loans do not default, or if there is default but the collateral is sufficient to cover the loan repayment (or a portion thereof), then DHCD will reallocate all (or part) of the budgeted default amount among other program components.

Please note that DHCD and HUD scrutinize Section 108 projects very carefully since any loan defaults are guaranteed by future CDBG funds and therefore could have a significant and deleterious effect on future year applications of other cities and towns.

9. ADMINISTRATION AND TECHNICAL ASSISTANCE BY DHCD

The Commonwealth of Massachusetts uses CDBG funds for administrative costs incurred by DHCD during the operation of the Massachusetts CDBG Program. As allowed by federal statute, this amount will equal two percent (2%) of the entire annual grant allocation, plus \$100,000.

An additional one percent (1%) of the allocation will be used for direct technical assistance to eligible municipalities for guidance relating to housing, economic development, including downtown revitalization, community development strategy and plan preparation and use, technical assistance training for non-entitlement communities, and additional assistance determined necessary during the program year.

During this fiscal year DHCD will continue to support and upgrade grantees' software and reporting systems. Technical assistance will be available to a cluster of communities for capacity building for downtown revitalization. Assistance will be provided to communities with both deteriorated areas and with downtown organizations that have not been previously supported by DHCD.

In addition, two percent (2%) of program income generated by state CDBG grantees shall be returned to the Mass CDBG Program on a bi-annual basis.

DRAFT ONE-YEAR ACTION PLAN FOR FEDERAL FISCAL YEAR 2004

EXHIBITS

1. LIST OF ENTITLEMENT COMMUNITIES IN MASSACHUSETTS
2. MUNICIPALITIES NOT ELIGIBLE TO APPLY TO COMMUNITY DEVELOPMENT FUND (CDF) I AND II IN FY 2004
3. COMMUNITY WIDE NEEDS SCORES AND PROGRAM ELIGIBILITY
4. COMMUNITY-WIDE NEEDS INDICATORS
5. SUSTAINABLE DEVELOPMENT PRINCIPLES

EXHIBIT 1

LIST OF ENTITLEMENT COMMUNITIES IN MASSACHUSETTS As of Federal Fiscal Year 2004

| | | | |
|-----|------------|-----|-------------|
| 1. | ARLINGTON | 19. | MALDEN |
| 2. | ATTLEBORO | 20. | MEDFORD |
| 3. | BARNSTABLE | 21. | NEW BEDFORD |
| 4. | BOSTON | 22. | NEWTON |
| 5. | BROCKTON | 23. | NORTHAMPTON |
| 6. | BROOKLINE | 24. | PITTSFIELD |
| 7. | CAMBRIDGE | 25. | PLYMOUTH |
| 8. | CHICOPEE | 26. | QUINCY |
| 9. | FALL RIVER | 27. | SALEM |
| 10. | FITCHBURG | 28. | SOMERVILLE |
| 11. | FRAMINGHAM | 29. | SPRINGFIELD |
| 12. | GLOUCESTER | 30. | TAUNTON |
| 13. | HAVERHILL | 31. | WALTHAM |
| 14. | HOLYOKE | 32. | WESTFIELD |
| 15. | LAWRENCE | 33. | WEYMOUTH |
| 16. | LEOMINSTER | 34. | WORCESTER |
| 17. | LOWELL | 35. | YARMOUTH |
| 18. | LYNN | | |

EXHIBIT 2

MUNICIPALITIES NOT ELIGIBLE TO APPLY TO COMMUNITY DEVELOPMENT FUND (CDF) I AND II IN FY 2004

Communities awarded CDF II Grants in FY 2002 or FY 2003 are prohibited from applying for CDF I or II grants in FY 2004, except in the following instances:

- A Community Development Fund II eligible community that has not received a CDF II grant award on its own but which has participated with a Community Development Fund I or Mini-Entitlement community for **housing activities** can apply to CDF II.
- A Community Development Fund II eligible community that has received a CDF II grant award in FY 2002 or FY 2003 on its own may be a participant with a Community Development Fund I, Community Development Fund II or Mini-Entitlement community for **housing activities only**.
- A CDF II eligible community that has successfully administered an FY 2002 or FY 2003 housing related grant on its own may be eligible to be a single or lead applicant for **housing activities only**.
- **Communities with an FY 2004 CWN of 18 or greater may apply to CDF I, regardless of CWN score in years prior to FY 2004.**

DHCD has identified the following communities as ineligible applicants (except as noted above) as a single community for CDF I or CDF II in FY2004; they can apply again for CDF funding in the Fiscal Year noted in parentheses:

BELLINGHAM (2006)

BUCKLAND (2006)

DALTON (2006)

EASTHAMPTON (2006)

HINGHAM (2006)

MANSFIELD (2005)

RAYNHAM (2005)

MARSHFIELD (2005)

NORFOLK (2005)

SHUTESBURY (2005)

SOUTH HADLEY (2006)

EXHIBIT 3

PROGRAM ELIGIBILITY AND COMMUNITY-WIDE NEEDS SCORES

| | FY2004 CWN Score | Eligible for CDF I | Eligible for CDF II | FY2004 Mini- Entitlement | Not eligible due to prior year funding |
|------------------|-----------------------------|-------------------------------|--------------------------------|-------------------------------------|---|
| Abington town | 17 | | x | | |
| Acton town | 11 | | x | | |
| Acushnet town | 17 | | x | | |
| Adams town | 21 | x | | | |
| Agawam town | 17 | | x | | |
| Alford town | 13 | | x | | |
| Amesbury town | 19 | | | x | |
| Amherst town | 19 | x | | | |
| Andover town | 12 | | x | | |
| Aquinnah town | 23 | x | | | |
| Ashburnham town | 14 | | x | | |
| Ashby town | 15 | | x | | |
| Ashfield town | 13 | | x | | |
| Ashland town | 14 | | x | | |
| Athol town | 21 | x | | | |
| Auburn town | 16 | | x | | |
| Avon town | 20 | x | | | |
| Ayer town | 22 | x | | | |
| Barre town | 18 | x | | | |
| Becket town | 17 | | x | | |
| Bedford town | 10 | | x | | |
| Belchertown town | 17 | | x | | |
| Bellingham town | 13 | | | | x |
| Belmont town | 15 | | x | | |
| Berkley town | 12 | | x | | |
| Berlin town | 19 | x | | | |
| Bernardston town | 17 | | x | | |
| Beverly city | 18 | x | | | |
| Billerica town | 16 | | x | | |
| Blackstone town | 18 | x | | | |
| Blandford town | 14 | | x | | |
| Bolton town | 12 | | x | | |
| Bourne town | 20 | x | | | |
| Boxborough town | 10 | | x | | |

| | FY2004 CWN Score | Eligible for CDF I | Eligible for CDF II | FY2004 Mini- Entitlement | Not eligible due to prior year funding |
|-------------------|-----------------------------|-------------------------------|--------------------------------|-------------------------------------|---|
| Boxford town | 9 | | x | | |
| Boylston town | 14 | | x | | |
| Braintree town | 18 | x | | | |
| Brewster town | 17 | | x | | |
| Bridgewater town | 13 | | x | | |
| Brimfield town | 18 | x | | | |
| Brookfield town | 22 | x | | | |
| Buckland | 16 | | | | x |
| Burlington town | 13 | | x | | |
| Canton town | 14 | | x | | |
| Carlisle town | 11 | | x | | |
| Carver town | 17 | | x | | |
| Charlemont town | 21 | x | | | |
| Charlton town | 13 | | x | | |
| Chatham town | 18 | x | | | |
| Chelmsford town | 14 | | x | | |
| Chelsea city | 23 | | | x | |
| Cheshire town | 17 | | x | | |
| Chester town | 22 | x | | | |
| Chesterfield town | 22 | x | | | |
| Chilmark town | 18 | x | | | |
| Clarksburg town | 16 | | x | | |
| Clinton town | 21 | x | | | |
| Cohasset town | 11 | | x | | |
| Colrain town | 21 | x | | | |
| Concord town | 11 | | x | | |
| Conway town | 14 | | x | | |
| Cummington town | 21 | x | | | |
| Dalton town | 17 | | | | x |
| Danvers town | 18 | x | | | |
| Dartmouth town | 18 | x | | | |
| Dedham town | 19 | x | | | |
| Deerfield town | 13 | | x | | |
| Dennis town | 20 | x | | | |
| Dighton town | 16 | | x | | |
| Douglas town | 15 | | x | | |
| Dover town | 9 | | x | | |
| Dracut town | 17 | | x | | |
| Dudley town | 17 | | x | | |

| | FY2004 CWN Score | Eligible for CDF I | Eligible for CDF II | FY2004 Mini- Entitlement | Not eligible due to prior year funding |
|-----------------------|-----------------------------|-------------------------------|--------------------------------|-------------------------------------|---|
| Dunstable town | 12 | | x | | |
| Duxbury town | 10 | | x | | |
| East Bridgewater town | 17 | | x | | |
| East Brookfield town | 16 | | x | | |
| East Longmeadow town | 14 | | x | | |
| Eastham town | 21 | x | | | |
| Easthampton town | 16 | | | | x |
| Easton town | 13 | | x | | |
| Edgartown town | 20 | x | | | |
| Egremont town | 13 | | x | | |
| Erving town | 23 | x | | | |
| Essex town | 19 | x | | | |
| Everett city | 24 | | | x | |
| Fairhaven town | 22 | x | | | |
| Falmouth town | 17 | | x | | |
| Florida town | 22 | x | | | |
| Foxborough town | 14 | | x | | |
| Franklin town | 14 | | x | | |
| Freetown town | 14 | | x | | |
| Gardner city | 21 | | | x | |
| Georgetown town | 14 | | x | | |
| Gill town | 16 | | x | | |
| Goshen town | 17 | | x | | |
| Gosnold town | 23 | x | | | |
| Grafton town | 17 | | x | | |
| Granby town | 13 | | x | | |
| Granville town | 16 | | x | | |
| Great Barrington town | 18 | x | | | |
| Greenfield town | 23 | | | x | |
| Groton town | 12 | | x | | |
| Groveland town | 15 | | x | | |
| Hadley town | 17 | | x | | |
| Halifax town | 17 | | x | | |
| Hamilton town | 14 | | x | | |
| Hampden town | 13 | | x | | |
| Hancock town | 15 | | x | | |
| Hanover town | 13 | | x | | |
| Hanson town | 14 | | x | | |
| Hardwick town | 18 | x | | | |

| | FY2004 CWN Score | Eligible for CDF I | Eligible for CDF II | FY2004 Mini- Entitlement | Not eligible due to prior year funding |
|-------------------------------|-----------------------------|-------------------------------|--------------------------------|-------------------------------------|---|
| Harvard town | 11 | | x | | |
| Harwich town | 22 | x | | | |
| Hatfield town | 17 | | x | | |
| Hawley town | 23 | x | | | |
| Heath town | 18 | x | | | |
| Hingham town | 11 | | | | x |
| Hinsdale town | 21 | x | | | |
| Holbrook town | 17 | | x | | |
| Holden town | 13 | | x | | |
| Holland town | 17 | | x | | |
| Holliston town | 14 | | x | | |
| Hopedale town | 18 | x | | | |
| Hopkinton town | 10 | | x | | |
| Hubbardston town | 12 | | x | | |
| Hudson town | 18 | x | | | |
| Hull town | 20 | x | | | |
| Huntington town | 18 | x | | | |
| Ipswich town | 18 | x | | | |
| Kingston town | 18 | x | | | |
| Lakeville town | 14 | | x | | |
| Lancaster town | 18 | x | | | |
| Lanesborough town | 18 | x | | | |
| Lee town | 22 | x | | | |
| Leicester town | 16 | | x | | |
| Lenox town | 20 | x | | | |
| Leverett town | 13 | | x | | |
| Lexington town | 11 | | x | | |
| Leyden town | 13 | | x | | |
| Lincoln town | 13 | | x | | |
| Littleton town | 13 | | x | | |
| Longmeadow town | 11 | | x | | |
| Ludlow town | 17 | | x | | |
| Lunenburg town | 14 | | x | | |
| Lynnfield town | 10 | | x | | |
| Manchester-by-the-Sea town | 15 | | x | | |
| Mansfield town | 14 | | | | x |
| Marblehead town | 14 | | x | | |
| Marion town | 15 | | x | | |
| Marlborough city | 18 | | | x | |

| | FY2004 CWN Score | Eligible for CDF I | Eligible for CDF II | FY2004 Mini- Entitlement | Not eligible due to prior year funding |
|-------------------------|-----------------------------|-------------------------------|--------------------------------|-------------------------------------|---|
| Marshfield town | 14 | | | | x |
| Mashpee town | 18 | x | | | |
| Mattapoisett town | 13 | | x | | |
| Maynard town | 18 | x | | | |
| Medfield town | 9 | | x | | |
| Medway town | 13 | | x | | |
| Melrose city | 14 | | x | | |
| Mendon town | 15 | | x | | |
| Merrimac town | 18 | x | | | |
| Methuen town | 22 | | | x | |
| Middleborough town | 18 | x | | | |
| Middlefield town | 20 | x | | | |
| Middleton town | 14 | | x | | |
| Milford town | 22 | x | | | |
| Millbury town | 18 | x | | | |
| Millis town | 14 | | x | | |
| Millville town | 18 | x | | | |
| Milton town | 15 | | x | | |
| Monroe town | 24 | x | | | |
| Monson town | 15 | | x | | |
| Montague town | 21 | x | | | |
| Monterey town | 17 | | x | | |
| Montgomery town | 13 | | x | | |
| Mount Washington town | 14 | | x | | |
| Nahant town | 14 | | x | | |
| Nantucket town | 22 | x | | | |
| Natick town | 15 | | x | | |
| Needham town | 11 | | x | | |
| New Ashford town | 11 | | x | | |
| New Braintree town | 16 | | x | | |
| New Marlborough town | 18 | x | | | |
| New Salem town | 16 | | x | | |
| Newbury town | 13 | | x | | |
| Newburyport city | 18 | x | | | |
| Norfolk town | 9 | | | | x |
| North Adams city | 22 | | | x | |
| North Andover town | 15 | | x | | |
| North Attleborough town | 15 | | x | | |
| North Brookfield town | 20 | x | | | |

| | FY2004 CWN Score | Eligible for CDF I | Eligible for CDF II | FY2004 Mini- Entitlement | Not eligible due to prior year funding |
|--------------------|-----------------------------|-------------------------------|--------------------------------|-------------------------------------|---|
| North Reading town | 15 | | x | | |
| Northborough town | 14 | | x | | |
| Northbridge town | 16 | | | x | |
| Northfield town | 17 | | x | | |
| Norton town | 14 | | x | | |
| Norwell town | 13 | | x | | |
| Norwood town | 18 | x | | | |
| Oak Bluffs town | 23 | x | | | |
| Oakham town | 13 | | x | | |
| Orange town | 21 | x | | | |
| Orleans town | 18 | x | | | |
| Otis town | 18 | x | | | |
| Oxford town | 17 | | x | | |
| Palmer town | 22 | x | | | |
| Paxton town | 12 | | x | | |
| Peabody city | 18 | x | | | |
| Pelham town | 13 | | x | | |
| Pembroke town | 14 | | x | | |
| Pepperell town | 13 | | x | | |
| Peru town | 17 | | x | | |
| Petersham town | 19 | x | | | |
| Phillipston town | 18 | x | | | |
| Plainfield town | 22 | x | | | |
| Plainville town | 17 | | x | | |
| Plympton town | 13 | | x | | |
| Princeton town | 10 | | x | | |
| Provincetown town | 25 | x | | | |
| Randolph town | 18 | x | | | |
| Raynham town | 14 | | | | x |
| Reading town | 14 | | x | | |
| Rehoboth town | 13 | | x | | |
| Revere city | 23 | | | x | |
| Richmond town | 12 | | x | | |
| Rochester town | 13 | | x | | |
| Rockland town | 21 | x | | | |
| Rockport town | 19 | x | | | |
| Rowe town | 19 | x | | | |
| Rowley town | 14 | | x | | |
| Royalston town | 20 | x | | | |

| | FY2004 CWN Score | Eligible for CDF I | Eligible for CDF II | FY2004 Mini- Entitlement | Not eligible due to prior year funding |
|-------------------|-----------------------------|-------------------------------|--------------------------------|-------------------------------------|---|
| Russell town | 22 | x | | | |
| Rutland town | 13 | | x | | |
| Salisbury town | 21 | x | | | |
| Sandisfield town | 14 | | x | | |
| Sandwich town | 13 | | x | | |
| Saugus town | 18 | x | | | |
| Savoy town | 21 | x | | | |
| Scituate town | 14 | | x | | |
| Seekonk town | 18 | x | | | |
| Sharon town | 11 | | x | | |
| Sheffield town | 17 | | x | | |
| Shelburne town | 22 | x | | | |
| Sherborn town | 10 | | x | | |
| Shirley town | 16 | | x | | |
| Shrewsbury town | 13 | | x | | |
| Shutesbury town | 13 | | | | x |
| Somerset town | 17 | | x | | |
| South Hadley town | 17 | | | | x |
| Southampton town | 12 | | x | | |
| Southborough town | 11 | | x | | |
| Southbridge town | 22 | | | x | |
| Southwick town | 14 | | x | | |
| Spencer town | 21 | x | | | |
| Sterling town | 11 | | x | | |
| Stockbridge town | 17 | | x | | |
| Stoneham town | 18 | x | | | |
| Stoughton town | 17 | | x | | |
| Stow town | 11 | | x | | |
| Sturbridge town | 16 | | x | | |
| Sudbury town | 10 | | x | | |
| Sunderland town | 21 | x | | | |
| Sutton town | 13 | | x | | |
| Swampscott town | 15 | | x | | |
| Swansea town | 17 | | x | | |
| Templeton town | 18 | x | | | |
| Tewksbury town | 13 | | x | | |
| Tisbury town | 24 | x | | | |
| Tolland town | 16 | | x | | |
| Topsfield town | 9 | | x | | |

| | FY2004 CWN Score | Eligible for CDF I | Eligible for CDF II | FY2004 Mini- Entitlement | Not eligible due to prior year funding |
|-----------------------|-----------------------------|-------------------------------|--------------------------------|-------------------------------------|---|
| Townsend town | 14 | | x | | |
| Truro town | 23 | x | | | |
| Tyngsborough town | 14 | | x | | |
| Tyringham town | 8 | | x | | |
| Upton town | 13 | | x | | |
| Uxbridge town | 15 | | x | | |
| Wakefield town | 15 | | x | | |
| Wales town | 21 | x | | | |
| Walpole town | 14 | | x | | |
| Ware town | 21 | x | | | |
| Wareham town | 22 | x | | | |
| Warren town | 21 | x | | | |
| Warwick town | 22 | x | | | |
| Washington town | 15 | | x | | |
| Watertown town | 18 | x | | | |
| Wayland town | 11 | | x | | |
| Webster town | 21 | x | | | |
| Wellesley town | 9 | | x | | |
| Wellfleet town | 20 | x | | | |
| Wendell town | 16 | | x | | |
| Wenham town | 11 | | x | | |
| West Boylston town | 17 | | x | | |
| West Bridgewater town | 19 | x | | | |
| West Brookfield town | 17 | | x | | |
| West Newbury town | 12 | | x | | |
| West Springfield town | 22 | | | x | |
| West Stockbridge town | 17 | | x | | |
| West Tisbury town | 17 | | x | | |
| Westborough town | 10 | | x | | |
| Westford town | 9 | | x | | |
| Westhampton town | 14 | | x | | |
| Westminster town | 13 | | x | | |
| Weston town | 10 | | x | | |
| Westport town | 15 | | x | | |
| Westwood town | 10 | | x | | |
| Whately town | 14 | | x | | |
| Whitman town | 18 | x | | | |
| Wilbraham town | 13 | | x | | |
| Williamsburg town | 18 | x | | | |

| | FY2004 CWN Score | Eligible for CDF I | Eligible for CDF II | FY2004 Mini- Entitlement | Not eligible due to prior year funding |
|-------------------|-----------------------------|-------------------------------|--------------------------------|-------------------------------------|---|
| Williamstown town | 16 | | x | | |
| Wilmington town | 15 | | x | | |
| Winchendon town | 21 | x | | | |
| Winchester town | 11 | | x | | |
| Windsor town | 17 | | x | | |
| Winthrop town | 18 | x | | | |
| Woburn city | 18 | x | | | |
| Worthington town | 16 | | x | | |
| Wrentham town | 10 | x | | | |

EXHIBIT 4

COMMUNITY-WIDE NEEDS INDICATORS

| MUNICIPALITY: COUNTY: | | 2000(02) Raw Number | Percent | Quartile | Maximum Possible Points | Score |
|--|--|---------------------------|---------|----------|-------------------------------|-------------|
| A. INDIVIDUAL FACTORS | | | | | 15.0 | 0.00 |
| Low/moderate income persons (US Census, 2000 universe: 0)..... | | 0 | 0.0 | 0 | 12.5 | 0.00 |
| Unemployment rate (average annual 2002) | | 0 | 0.0 | 0 | 2.5 | 0.00 |
| B. COMMUNITY FACTORS | | | | | 10 | 0.00 |
| % households w/housing cost burden>=30% of household income (US Census, 2000 universe: 0) | | 0 | 0.0 | 0 | 3.75 | 0.00 |
| Total levy per capita, % of per capita income (2002 DOR, US Census estimate, 2000 US Census) | | \$ 0 | 0.0 | 0 | 3.75 | 0.00 |
| Units built prior to 1940, % of total units (US Census 2000 universe: 0) | | 0 | 0.0 | 0 | 2.5 | 0.00 |
| A and B | | | | | 25 | |

EXHIBIT 5



Commonwealth of Massachusetts OFFICE FOR COMMONWEALTH DEVELOPMENT

Mitt Romney, Governor ♦ Kerry Healey, Lt. Governor ♦ Douglas I. Foy, Chief

Enhancing Our Commonwealth

The Office for Commonwealth Development is dedicated to careful stewardship of our natural resources, wise investment in public infrastructure and the expansion of opportunity for all our residents. The beauty and bounty of Massachusetts are the result of decisions made in past generations; our choices today must create value and opportunity for all our residents now and in the future. To improve the health and wealth of all our communities, we must draw together the creativity of our people, the vitality of markets, the resources of government, and the natural treasures we have inherited to design and build communities of diversity and delight for Massachusetts.

The quality of life in all of Massachusetts depends upon growth decisions made in each unique community. Planning for growth in a vibrant Commonwealth means working with those communities to integrate the diverse needs for housing, jobs, services, transportation and historic, cultural, and natural resources. In order to achieve these objectives, the Office for Commonwealth Development will:

- Encourage the coordination and cooperation of all agencies.
- Invest public funds wisely in smart growth and equitable development.
- Give priority to investments that will deliver living wage jobs, transit access, housing, open space, and community-serving enterprises.
- Be guided by the following principles:
 1. **Redevelop first.** Support the revitalization of town centers and neighborhoods. Encourage reuse and rehabilitation of existing infrastructure rather than the construction of new infrastructure in undeveloped areas. Give preference to redevelopment of brownfields, preservation and reuse of historic structures and rehabilitation of existing housing and schools.
 2. **Concentrate development.** Support development that is compact, conserves land, integrates uses, and fosters a sense of place. Create walkable districts mixing commercial, civic, cultural, educational and recreational activities with open space and housing for diverse communities.
 3. **Be fair.** Promote equitable sharing of the benefits and burdens of development. Provide technical and strategic support for inclusive community planning to ensure social, economic, and environmental justice. Make regulatory and permitting

processes for development clear, transparent, cost-effective, and oriented to encourage smart growth and regional equity.

4. **Restore and enhance the environment.** Expand land and water conservation. Protect and restore environmentally sensitive lands, natural resources, wildlife habitats, and cultural and historic landscapes. Increase the quantity, quality and accessibility of open space. Preserve critical habitat and bio-diversity. Promote developments that respect and enhance the state's natural resources.
5. **Conserve natural resources.** Increase our supply of renewable energy and reduce waste of water, energy and materials. Lead by example and support conservation strategies, clean power and innovative industries. Construct and promote buildings and infrastructure that use land, energy, water and materials efficiently.
6. **Expand housing opportunities.** Support the construction and rehabilitation of housing to meet the needs of people of all abilities, income levels and household types. Coordinate the provision of housing with the location of jobs, transit and services. Foster the development of housing, particularly multifamily, that is compatible with a community's character and vision.
7. **Provide transportation choice.** Increase access to transportation options, in all communities, including land and water based public transit, bicycling, and walking. Invest strategically in transportation infrastructure to encourage smart growth. Locate new development where a variety of transportation modes can be made available.
8. **Increase job opportunities.** Attract businesses to locations near housing, infrastructure, water, and transportation options. Expand access to educational and entrepreneurial opportunities. Support the growth of new and existing local businesses.
9. **Foster sustainable businesses.** Strengthen sustainable natural resource-based businesses, including agriculture, forestry and fisheries. Strengthen sustainable businesses. Support economic development in industry clusters consistent with regional and local character. Maintain reliable and affordable energy sources and reduce dependence on imported fossil fuels.
10. **Plan regionally.** Support the development and implementation of local and regional plans that have broad public support and are consistent with these principles. Foster development projects, land and water conservation, transportation and housing that have a regional or multi-community benefit. Consider the long-term costs and benefits to the larger commonwealth.